FACTORS THAT INFLUENCE SUCCESS OF STRATEGIC ALLIANCES BETWEEN MOBILE SERVICE PROVIDERS AND COMMERCIAL BANKS IN THE MONEY TRANSFER SERVICES

MARIANNE KINYENJE

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DECLARATION

This research project is my original work and has not been presented for an academic award in any other university.

MARIANNE KINYENJE

Signature.................................. Date................................

REG NO: D61/71207/2014

This research project has been submitted for presentation with my approval as the University Supervisor.

Signature................................. Date...........................

PROFESSOR F. N. KIBERA

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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You gave me the chance to see my best side.

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This project is dedicated to my Dad Joseph Kinyenje and Mum Jane Kinyenje for instilling value of education in me.

ABSTRACT

Strategic alliance is an important aspect in the banking industry. In order for commercial banks to be successful, there is need for strategic alliances and co-operation with each other, as well as with other service providers. The broad objective of the study was to establish the factors that influence success of strategic alliances between Mobile Service Providers and commercial banks in money transfer services in Kenya. The research design adopted was descriptive survey. The sample population for the research was three telecommunication companies and twelve commercial banks that have entered into alliance with telecommunication companies. Primary data was collected using a semi-structured questionnaire. The study used descriptive statistics such as mean scores, standard deviation and frequency distributions. Content analysis was used to analyze data that was collected using open ended questions. The study established that top management commitment influence success of strategic alliances to a large extent. These include shared goals and objectives, organization culture, commitment of the partner organizations and proper implementation and monitoring of policies which enhance strategic alliance. It concluded that for success of strategic alliance, both partners must ensure mutual trust, development of measurable goals, and also, the existence of shared risks and outcomes. From the results, the study recommends that strategic alliance organizations should foster top management commitment to achieve success. In addition, there should be complementary strength of partner organizations, involvement of senior management in strategic operations, ensuring clear and common vision to avoid conflict in shared objectives and finally, practicing of transparency and accountability among partners.

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ABBREVIATIONS AND ACRONYMS

YU	- You Mobile
CBK	-Central Bank of Kenya
CBA	- Commercial Bank of Africa
CAK	- Communications Authority of Kenya
MTS-Money	-Transfer Services

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategic alliances are increasingly becoming popular in the business world. To achieve competitive advantage, firms need to combine their assets and capabilities in a co-operative policy that is termed an alliance (Rothaermel & Boeker, 2008). Joint effort among firms have turned into a key source of competitive advantage for firms and allow companies to adapt in environmental complexities and help firms fortify their market position by enhancing market control, expanding efficiencies, acquiring resources and entering new markets (Chen, 2003). The growing integration of the global market place since the 1970s to the new millennium termed as globalization has seen the emergence of all sorts of corporate relationships and linkages from alliances, mergers and acquisitions, partnerships and joint ventures. Strategic alliances have been formed to facilitate entry into new markets, reduce operation costs and improve organizational performance.

The study was grounded on Resource Based View, Strategic Behaviour Theory and Transaction Cost Theory. At the point when proficient market trade assets it is conceivable firms will probably make progress in collaboration understandings. The asset based view considers vital alliances as procedure used to get to other firms' assets, with the end goal of gathering generally inaccessible resources and values to the firm (Eisenhardt & Schoonhoven, 1996). High failure rates of implementation of financial alliances have been associated with insufficient resource allocation toward alliance strategy (Long & Zhai, 2010). Strategic behaviour theory addresses the issue of firms’ conduct from an administrative, instead of a showcasing approach. Associations are relied upon to frame assist in building trust that these game plans will better empower them to meet their key targets with the attention being on expanding benefits (Kogut, 1988).

Transaction cost hypothesis recommends that organizations establish strategic alliances with the aim of minimizing expenses and risks. Such alliances ensure that firms are protected from vagrancies while at the same time, assisting them to adjust to the uncertain business environment. Financial institutions adopt non-equity strategic alliance (Kogut, 2008).

1.1.1 Strategic Alliances

A key alliance is a formal and commonly concurred association game plan between at least two organizations. This term refers to association of at least two companies or specialty units that cooperate to accomplish deliberately noteworthy goals that have comparable objective (Lo & Yeung, 2004). The partners' pool assets together, trade and coordinate chosen assets for shared advantage while at the same time staying totally free from each other. This arrangement ensures that the partners are able to achieve their stated goals and objectives which would otherwise be difficult to achieve alone. Strategic alliances are viewed as mechanisms for producing a more powerful and effective mode for competing in a globalized world (COPAC, 2000).

Strategic alliance relationships continue to be one of the leading business strategies as a result of increasing competition in the global market. However, strategic alliances can take different forms and as such are not limited to commercial spheres alone. It can be an alliance of strong partners who are direct competitors, alliance between strong and weak partners, alliance between those who are weak and sought to gain power, between complementary equals, or even a merger that results in formation of one new organization. The main goal of an alliance is to add value with different focuses on trade, competence, information/knowledge acquisition or overcoming barriers (Pansiri, 2005).

1.1.2 Strategic Alliance Success

Recent years have seen an increase in popularity of strategic alliances in the corporate world (Long & Zhai, 2010). A reason for this is that such partnerships ensure increased capabilities for companies including product development and market expertise, which would not only be expensive to implement, but it would also require a lot of effort. Firms achieve success in strategic alliances due to continuous performance assessment and evaluation of long and short-term goals, as well as alliance objectives. In order to ensure growth and effective production, organizations globally are advising their employees on ways to effectively develop and manage strategic alliances (Michelet & Remacle, 2002) Measuring the levels of satisfaction is used to demonstrate if the cooperation is adding to the accomplishment of the general objective of organizations (Shenkar and Reuer, 2006). For an organization to satisfy its vital objectives, the level of difference ought to be high. In addition, the management should ensure high commitment levels, trust and consideration of the partners to the alliance. Therefore, cooperation is fruitful if both firms accomplish their goals (Barley, 2002).

If the social measure is high, there is the likelihood that the partnership is adding to the accomplishment of the general goals and objectives of the organizations. However, if the inverse happens, the organizations cannot, likewise, achieve their general objectives. Exclusive standard at arrangement will prompt high relationship amongst partners, and trust will be created amongst them. This will consequently add to the general accomplishment of stated goals. The key and operational fulfillment estimation indicates how individuals are satisfied with the operation of the alliance. Shenkar and Reuer (2006) state that a decent relationship between parties will enhance satisfaction of individuals. Mjoen & Tallman (1997) also show in their studies that there is a solid relationship between achievement of key objectives and individuals' fulfillment.

1.1.3 Strategic Alliances between Telecommunication Companies and Banks

There are claims that strategic alliances, if well implemented, can lead to organization's improved operations and competitiveness (Rothaermel & Boeker, 2008). Companies continue to form alliances in order to obtain technology, reduce risk such as political and financial risk since it is shared or spread among the partners, penetration of various market niches and also to achieve competitive advantage (Wheelan & Hungar, 2000). A study by KMPG (2009) also adds that these factors presents one of the best organizational strategies that can be employed since it increases their profit margins. Strategic alliances are increasingly becoming popular between mobile service providers and commercial banks to increase efficiencies, access new resources, reduce competition and enter new markets. According to Todeva and Knoke, (2005) firms enter into a partnership to achieve competitive advantage and cope with increasing turbulent environment. A few enterprising banks bring vital organizations together to enhance their business, however large portions of them fails.

The risks and issues confronting performance of key alliance ought to be recognized to guarantee that organizations achieve their expected principal target (Pansiri, 2005). Many companies implement strategic alliances to combat new emergent competitors in the market. Corporate administration feels this kind of activity will stop competitors from concentrating on their organization raising banners that issues exist inside the alliances. The key partnership between banks and mobile phone companies has been common. In 2012, Bharti Airtel in India, through its subsidiary of Commerce Services Limited entered into a strategic partnership with Axis Bank to provide financial services to unbanked millions of Indian citizens through a mobile telephone platform (Wachira, 2013).

In Kenya, commercial banks have ventured into mobile banking to target the population that cannot access conventional banking services. Telecommunications companies namely Safaricom, Airtel, Telkom Kenya (Orange) and Essar (YU) have been providing platform for money transfer services. This has motivated commercial banks to form strategic alliance with telecommunications companies to access the market, gain competitive advantage and improve on performance. However, strategic alliance between telecommunication companies and commercial banks in Kenya has not been a success. Musyoki (2013) observed that failure in strategic alliances raise a critical concern on what determines a success rate of strategic alliances in banking and telecommunication industry.

1.1.4 Mobile Service Providers in Kenya

The Telecommunication industry comprises telephone communication, communication through the internet, audio and visual media, postal communications and fax. The mobile industry has grown tremendously over the last decade. In the years 2013 and 2014 the mobile industry experience growth of 5.6% reaching 32.2 million subscribers and increase to growth to 37.8 million subscribers up from 36.1 million between 2014 and 2015 (CAK, 2016). The types of mobile phones and services available have also changed drastically. In Kenya, there is stiff competition and rivalry in this industry hence a careful analysis for alliances success (Rothaermel & Boeker, 2008).

The telecom sector in Kenya is well developed. The Communications Authority of Kenya (CAK) licensed Safaricom, Airtel, Telkom Kenya (Orange) and Essar (YU) and several internet service providers like Wananchi and Jamii Telkom (CCK Report, 2012). The telecommunication companies are offering mobile money transfer platform (GoK, 2014). Change in market has led to heightened competition hindering achieving of expected profitability level. The innovation development products in telecommunication companies m-commerce and m-banking has motivated commercial bank entering into strategic alliance in Kenya (CBK, 2014).

1.1.5 Commercial Banks in Kenya

Commercial Banks in Kenya are authorized and managed money related establishments as per the arrangements of the Banking Act and the Regulations and Prudential Guidelines issued there under. Commercial banks are leader in financial market in Kenyan Banking (CBK, 2012).

There are 43 licensed commercial banks out of which 31 are locally owned and 12 are foreign owned (CBK, 2015). Commercial banks have embraced the use of information and communication technologies in financial service provision. This has influence banks to form strategic alliance with telecommunication companies through licensing agreement to enable customers to make payments directly into their bank accounts using the mobile money transfer platform. Such companies including Safaricom, Orange and Airtel are also providing mobile telephone banking services a function of banks, this has increased competition in banking sector. To remain competitive in the market, banks adopt strategic alliances with telecommunication companies which provide mobile money transfer plat forms.

For instance, Equity Bank, partnered with Safaricom to provide M-Kesho banking service, Commercial Bank of Africa (CBA) form an alliance with Safaricom and provide M-shwari banking services while KCB bank formed an alliance with Safaricom and provide KCB- Mpesa. Safaricom partnered with banks to provide M-PESA to ATM service targeting twelve million M-pesa customers.

1.2 Research Problem

One of the main challenges in strategic alliance is effective implementation. Commercial Banks are becoming less self-sufficient and their survival largely depends on successful strategic alliances and co-operation with each other. As a result, the number and pace of strategic co-operations between banks in the Money Transfer Services (MTS) are increasing significantly. Managers in this field, directly or indirectly, are facing issues related to strategic alliances. However, despite the popularity and advantages associated with strategic alliances, few organizations have succeeded, with a recorded failure rate as high as between 30% and 70% (Arend &Amit, (2005).

In Kenya, the entry of mobile phone companies in banking sector to provide money transfer services has led to increase in competition between commercial banks and telecommunication companies (CBK, 2015). Eight months after the launch of M-Kesho, Equity bank registered 600,000 new account holders, increased deposits by Kshs 600 million and improved bank profits by 71%. Equity failed to achieve its initial target of reaching 6 million M-Pesa customers, with only 799,532 by 2016, indicating a declined rate of uptake hence rendering M-Kesho redundant (Ngigi, 2015). M-shwari, a partnership between CBA Bank and Safaricom, has been a success resulting to an increase in customer base by 10 million, increased deposit to Ksh153 billion and improved loan book by Kshs 29 billion (CBK, 2015). Despite increasing strategic alliances between banks and telecommunication companies in Kenya, the extent to which strategic alliances succeed has raised concerns due to failure cases experienced in the market.

Locally, several studies on strategic allinaces have been carried out. For instance, Warui (2014) investigated challenges facing strategic alliance in KCB Group limited and revealed lack of trust, difference in priority interest of partner companies and lack of top management support hinders its implementation. Omolo (2010) investigated factors that influence adoption of strategic alliance between Safaricom Company and Equity bank limited. The study revealed that reduction in cost of operation, high competition in the market, increase in revenue and provision of quality services influence Safaricom and Equity Bank Limited alliance. This study sought to fill this knowledge gap by answering the question: What are the factors that influence success of strategic alliances between Mobile Service Providers and commercial banks in money transfer service in Kenya?

1.3 Research Objective

The general objective of the study is to establish factors that influence success of strategic alliances between Mobile Service Providers and commercial banks in money transfer service in Kenya.

1.4 Value of the Study

The research study will be of great value to scholars and researchers. The scholars would gain knowledge on factors that influence success strategic alliance between telecommunication companies and commercial banks. Similarly, researchers would find this study useful as it will provide a foundation for further research on strategic alliances, not only in the telecommunication and banking industry, but other sectors as well.

In addition the study will be significant to various parties as it contribute to the existing theory and practices. The management of the companies will gain insight on factors that influence success of strategic alliances between money transfer service providers and commercial banks in Kenya. This will assist the management in formulating strategies that will enhance successful strategic alliance to foster firms' competitive advantage and performance in the market. The study will also be beneficial to organizations that are intending into entering strategic alliances with partners who operate in unrelated businesses so as to overcome competitive challenges. The research findings will focus on factors that should be considered in ensuring an effective alliance formation and management that meets the set objectives even though respective organizational objectives of the partners may not be related.

The government and Central Bank of Kenya (CBK) will find the findings of the study useful in formulating policies that may better guide implementation of strategic alliances and considerations before a firm decides on such cooperation. This is because the telecommunication and financial sector face competition, threatening survival. Therefore the policies would foster success of strategic alliance between mobile service providers and commercial banks hence contribute to the growth of the sectors and improve economic growth of the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The aim of this chapter is to review past relevant studies on strategic alliances. It presents theoretical foundation of the study, motive for strategic alliances and also reviews studies of determinants that influence success of strategic alliance in organizations.

2.2 Theoretical Foundation

The study was grounded on three main theoretical foundations. The first one is Strategic Alliance Dynamism model. This theory entails that in order for strategic alliance to be successful, firms need to look at the main components of the business that can determine their success such as technology, marketing capabilities or other kinds or resources. Strategic behaviour theory on the other hand looks at the behavior of other competitors in the market and coming up with a way of increasing the organization's competitive advantage based on their behavior, strength or weaknesses. Transaction cost theory involves analyzing the general cost of various goods, services, products or operations in order to assess how to best benefit when making decisions or entering into a new venture. Finally, the Resource Based View is mainly concerned with the resources that an organization has, and how this can be turned into strength.

2.2.1 Strategic Alliance Dynamism Model (SAD)

The Strategic Alliance Dynamism Model (SAD) was proposed by Drucker (2006), who indicated that the conceptual model could be used in understanding growth of strategic alliances between companies. The model is made up of three dimensional (3D) systems named vital organization together dynamism. According to Amita, Richard and Robinson (2011), accomplishment of strategic alliance between organizations is greatly influenced by positive relationship that exists between firms. The model groups organizations together by using the three main components that determine their success. It is especially more effective when applied in a friendly business environment rather than between two competitive organizations. It is important that organizations build up alliances that empower them to have a decent relationship as opposed to an antagonistic working relationship. Presence of a threatening relationship would hinder partnership achievement and development (Das, 2012). Additionally, it is critical for the partners to understand that they seek after proactive measures with the end goal being to enhance progress in shaping successful alliances.

2.2.2 Strategic Behavior Theory

Strategic behaviour theory highlights how firms execute their objectives by enhancing their strengths against those of their competitors. By doing this, they are able to bar competitors from accessing crucial resources, balance out rivalry, strengthen their competitive position and also dissolve the position of their rivals (Kogut, 1998). The theory addresses the issue of an organization’s behaviour, as opposed to marketing approach. Strong relationships are relied upon to shape helpful alliances and promote trust which will consequently empower employees to meet their goals in order to achieve successful alliance (Koigi, 2002). Good relationship between partnering firms is based on trust and willingness to work together in order to achieve a common goal.

2.2.3 Resource-Based View (RBV)

The main emphasis of resource based view is the role that resources play in the success of an organization. According to the theory, a firm is seen as an accumulation of resources, which ultimately present its strengths and weaknesses (Lerner & Almor, 2002). RBV asserts that in order for companies to ensure sustained competitive advantage, they need to deploy the resources that they have and their capabilities (Grunert & Hildebrandt, 2004). As such, alliances can create competitive advantage by pooling resources leading to increased market strength, economies of scale and risk sharing (Das & Teng, 2000). Moreover, by forming an alliance, a firm can facilitate product differentiation, while ensuring that profit margins remain high (Eisenhardt & Schoonhoven, 1996).

Such advantages ensure a strategic competitive position in the market environment for the organizations in relation to their competitors (Yasuda, 2005). It can also be noted that alliance formation help firms to be more recognized in terms of legitimacy since they will be tied to other more successful firms (Varadarajan & Cunninham, 1995). This is very advantageous especially if a firm is at a vulnerable position (Zhang & Zhang, 2006).

2.2.4 Transaction Cost Theory

Transaction cost theory views contracts as governance structures for managing relationships between commercial parties. Market governance is efficient when transactions are relatively standardized and straightforward (Williamson, 1985). Transaction cost theory (TCT), or transaction cost economics (TCE), has become an increasingly important anchor for the analysis of a wide range of strategic and organizational issues of considerable importance to firms (Madhok, 2002). In particular, the TCT has been adopted in explaining firms' boundaries, vertical integration decisions, the rationale for conducting an acquisition, the networks and other hybrid governance forms.

Strategic partners also seek to minimize transaction costs, such as decreased costs and risks incurred for writing contracts and haggling over terms and contingent claims (Grant & Baden- Fuller, 2004). At high levels of specific investment firms have a great deal to lose if the relationship is terminated, so they will typically turn to integration to ensure against the possibility of opportunistic behavior by an exchange partner. Williamson (1991) identifies administrative controls, autonomous versus coordinated adaptation; incentive intensity and dispute resolution are the key tradeoffs between strategic partners. The transaction costs theory is relevant to explain factor influencing success of alliances between banks and telecommunication companies as it address how firms should organize their limits' activities according to the criteria of minimizing the sum of production by creating new processes, using facilities more effectively, cooperating to develop operating standards and building needed scale.

2.3 Drivers of Strategic Alliances

The development of key partnerships has been triggered by increased globalization. The complexities and increased vulnerability has also resulted to more businesses seeking alliances with other companies and organizations in order to share risks while increasing their profitability and market share. Strategic alliance entails sharing knowledge and capabilities between various business entities. Such an example is collaborating with a certain service providers in order to borrow their technological development or a new advanced product (Smith, 2003). Research indicates that alliance management techniques mainly concentrate on making the best use of contrast with partners in order to come up with something unique, managing the challenges of making successful alliances and also dealing with the normal daily operations of an organization while taking into consideration what the competitors are offering (Lo & Yeung, 2004). More complex tasks are to show that alliance delivers significant non-monetary, or transformational, results, for example, enhancing firm credibility (Kogut, 2000).

One of the research findings attracting recent studies is the consideration of how much value strategic alliance adds to the parent firm. An investigation of 142 startup biotechnology firms in Canada between 1991 and 1996 revealed that their success was as a result of building a network which gave access to differing information with reduced costs. While this gave the firms a chance to stand out from other competing set up firms, it also ensured that it maintained a strategic distance from risky intra-union competitions.

Another driving force for strategic alliance is to accomplish cooperative synergy and competitive advantage. In contrast to entering the market alone, strategic alliance eliminates risks associated with market entry, diversification and innovativeness. It therefore provides a firm with a strong ground when entering a certain market. It is also worth noting that competition is easier to manage when two partners work with each other's qualities since they can always take the best approach, based on these qualities. Furthermore, it is more expensive and time consuming to enter the market alone when in retail business (Porter, 2005).

Framing strategic alliance with an established organization that is reputable can make positive brand image and proficient distribution systems. Indeed, even good reputable trustworthy organizations need to introduce new brands in the market. Utilizing off the alliance will be fundamental for the success of any product in the new market. Duysters (2002) distinguishes the partners' favorable circumstances of alliance and adjusted presentation of costs and risks.

2.4 Strategic Alliances and Success of Organizations

One of the main factors to consider in achieving strategic alliance success is the dedication of senior management. This involves being responsible for formulation of strategic objectives, administration, as well as monitoring and evaluation of organization alliance process. Without their commitment, the partnership will lack the resources required for its success (Spekman, 2006). This is very important because it ensures sufficient administrative support in resource distribution, including capital creation, advertising, marketing and work assets (Ahuja, 2000).

The management's dedication is critical, not only to guarantee that the unions get the essential assets, but also to persuade others all through the alliance of its significance. According to Spekman (2006), numerous organizations see alliances as outside the authoritative standard therefore workers may tend to view them as unimportant since they will only associate themselves with the parent company. Similarly, the greatest obstacle that senior administration needs to overcome is its own dread of loss of control and resistance from representatives. The key to achieving success in any alliance is cultivating strong relationships among all employees in both partnering organizations.

The study further indicates that the factors which ensure favorable corporate culture include work discipline, focus, being result oriented, and job orientation, professional focus of interest, employee orientation and management commitment. Inability to share risks and issues confronting key aspects of operations results to disappointments. Risk sharing is the essential holding apparatus in strategic alliances (Rambo, 2012).

An important aspect in alliances is sharing of responsibilities. In most cases, organizations will start blaming each other hence hindering successful partnership. Putting blame on each other or moving risk to the other partner will only prompt failure rather than success (Lewis, 1992).

The main challenge in a fruitful union is building and maintaining trust. As such, alliances should be framed in such a way that trust is enhanced among the business entities. Most alliances have been successful as a result of trust especially when it comes to solving problems, effective conflict resolution strategies and good relationships (Lewis, 1992). Furthermore it is important to plan the goals and expectations, knowing those of the partner organization and incorporating these expectations into the broad objectives of the company. This will contribute to building trust among the partners. It is also helpful in anticipating other partner's behavior when it comes to future negotiations (Uddin & Akhter, 2011).

Another challenge that leads to alliance failure is divergent objectives and unwillingness to share risks. In the contemporary business environment, most strategic alliances use the wrong objectives in their formation. Numerous organizations venture into strategic alliances to achieve a competitive edge (Murraya & Kotabeb, 2005). They feel that this activity will deviate competitors from concentrating on their business. On the other hand, the partnership may put the organizations under spotlight, thus increasing rivalry. Strategic alliance agreement is likewise shaped to rectify inner organization issues. Most organizations believe that expansion in numbers has a higher chance of achieving more success because of shared resources, ideas, and market share (Kilburn, 1999).

When choosing an organization to liaise with, financial institutions need to do an assessment to see the values they can get from such an alliance (Zollo, Reuer, & Singh, 2002). Whatever the relationship between the two strategic firms, the convergence of discrete corporate culture, if not well managed, may give rise to conflicts and make vital goals hard to accomplish. It is critical that alliance partners adjust to both organization techniques (Arndt, 2009). Strategic factors refer to incorporation of strategies, motives and objectives of all partners involved. Strategic fit on the other hand entails ensuring that the named factors are compatible and mutually dependent (Douma, 1997). The strategic position of firms may differ depending on how important a certain business activity is and whether it fits with the general objectives of the alliance (Das, 2006). Murraya & Kotabeb (2005) indicate that existence of strategic fit between partners enhance their corporation. The success of strategic alliance can only be achieved if the partners share the same objectives.

This is supported by Kale, Singh & Bell (2009) who suggest that strategic fit promotes achievement of strategic vision, mutual dependency, compatibility of goals, and stakeholder acceptance. Cooperation agreements are the result of collaboration between firms designed to foster competitive business and cooperative relationships (Uddin & Akhter, 2011). Strategic alliances, however, allow partners to focus on what they can do best in order to achieve their vision and provide value to customers (Lorange & Roos, 1992).

Harrigan (1988) indicates that a strong relationship needs to exist between partnering firms. A specific adjustment therefore needs to be made so as to guarantee the strength of the alliance. When one of the firms has a more competitive advantage than the other, it is essential that the other partner keeps adequate interest for successful strategic alliance. This can be enhanced by shared reliance which entails that the business entities need each other, in order to accomplish their goals. An important aspect of this is the issue of change. As a rule, the more committed the partners are, the more successful the strategic alliances.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents an analysis of the methodology used to collect data. Its main focus is on the research plan and approaches that guided the study. It explains the statistical techniques used to test factors that influence strategic alliances, quality management practices as well as challenges faced in implementation of strategic alliances between mobile service providers and commercial banks in Kenya. It discusses research design, target population, data collection and analysis

3.2 Research Design

Cooper and Schindler (2008) describe Research design as “the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to purpose”. This study adopted descriptive survey. Descriptive survey describes profile of people, events, or situations. It is therefore useful in assessing the attitude of people, their opinion and habits. The design was useful in assessing factors that influence success of strategic alliances between mobile service providers and commercial banks in the money transfer services in Kenya.

3.3 Target Population

Target population is the group of objects or individuals which the study is focused on whereby the researcher generalizes conclusions of the study (Amin, 2005). The population for this study was three telecommunication companies and twelve commercial banks that have entered into alliances with telecommunication companies (CBK, 2015) making a total of 15 organizations. All these companies have formed strategic alliances in the use of mobile banking services. The study considered all firms hence it was a census survey.

3.4 Data Collection

The study used structured questionnaires to collect the pertinent data. The questionnaires contained question items which were closed-ended and open-ended. The advantage of using a questionnaire is that it is easy to administer and save time in data collection and analysis. The questionnaires were administered through drop and pick method to 102 managers and heads of department who were staff of commercial banks and telecommunication companies.

3.5 Data Analysis

The data were summarized, coded and tabulated for ease of analysis. Descriptive statistics such as mean scores, standard deviations and frequency distribution tables were used to determine the extent to which relevant factors influenced strategic alliance success between Mobile Service Providers and commercial banks. Content analysis was also used to analyze data that was collected using open ended questions. This ensured easy analysis of data and presents an in-depth insight on factors that influence success of strategic alliances between companies in the money transfer services in Kenya.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses the analysis, interpretation and presentation of the findings. The main objective of the study was to establish factors that influence success of strategic alliances between Mobile Service Providers and commercial banks in money transfer service in Kenya.

4.1.1 Response Rate

The population of the study was 102 respondents; Eighty six respondents returned the questionnaires. This constituted 85% response rate which was considered sufficient for analysis and reporting.

4.2 Profile of the Respondents

4.2.1 Respondents Position in the Organizations

The respondents were requested to indicate the position they were occupying in respective organizations. The responses are presented in Table 4.1

Table 4. 1: Respondents' Position in the Organization

Respondents Position	Frequency	Percentages
Manager position	36	42
Head of Department position	50	58
Total	86	100

Source: Primary Data

From the results in Table 4.1 more than half (58%) of the respondents indicated that they were heads of department while 42 % stated that they were managers. This suggested that the data were collected from the respondents who were in a position to provide the required information regarding factors that influence success of strategic alliances.

4.2.2 Respondents Level of academic qualification

The study also sought information on the respondent's level of education . The relevant responses are summarized in Table 4.2.

Table 4. 2: Highest level of education

Highest level of education	Frequency	Percentages
Bachelor Degree	3	4
Masters	32	37
Post Graduate	51	59
Total	86	100

Source: Primary Data

From the findings depicted in table 4.2, over half (59%) of the respondents had post graduate level of education and 37% had attained a masters degree. This implies that the data were collected from academically qualified respondents who were able to assess the factors that influence success of alliances between mobile money transfer and commercial banks.

4.2.3 Period Respondents Worked in the Organization

The respondents had been requested to indicate the number of years that they had worked in their organization. The pertinent responses are depicted in Table 4.3

Table 4. 3: Period Respondents Worked in the Company

Working period	Frequency	Percentages
Less than 2 years	3	4
2-5 years	8	9
6-8 years	33	38
Over 8 years	42	49
Total	86	100

Source: Primary Data

The study in Table 4.3 shows that 49% of the respondents stated that they had worked in the organization for more than 8 years while another 38% had worked for between 6 and 8 years .This implies that majority of the respondents had worked for more than 5 years. They therefore had the requisite knowledge and experience.

4.3 Factors that Influence Adoption of Strategic Alliances

The respondents had been asked to mention various factors that influence adoption of Strategic Alliances. They stated factors that are summarized in Table 4.4.

Table 4. 4: Factors that Influence Adoption of Strategic Alliance in Organization

Statement	N	Mean	Std Dev	CV%
Increase accessibility of market information and introduction of new product in the market	86	3.6744	.62199	16.9
Improve risk management	86	3.5349	.62681	17.7
Increase customer base for the organization	86	3.7442	.43888	11.7
Influence organization achieving competitive advantage over rivals in the market	86	4.2209	.77309	18.3
Strengthen organization competitive position by enhancing market power through the resultant synergy	86	3.9419	.69205	17.5
Increase organization profitability level	86	3.9302	.64700	16.5
Increasing efficiencies in the organization	86	4.0581	.63902	15.7
Accessing of new or critical resources or capabilities	86	3.9186	.55762	14.2
Effective coordination among strategic partners	86	3.8953	.88156	22.6
Increases organization level of entering new markets.	86	4.0116	.58399	14.6
Improve adoption of new technological advancement	86	4.1977	.69991	16.7
Improve organization innovativeness	86	4.2791	.71375	16.7
Total Grand Mean		3.9505	0.6563	

Source: Primary Data

From the results in Table 4.4, respondents mentioned that organization was influenced to adopt strategic alliance in order to improve innovativeness, to achieve competitive advantage over rivals in the market, to increase efficiencies and to enhance capabilities of entering new markets to a large extent.

4.4 Management Commitment and Strategic Alliances

4.4.1 Extent of Management Commitment to Strategic Alliances

The study sought to determine the extent to which management is commited to strategic alliance. The pertinent establishments of the data are contained in Table 4.5

Table 4. 5: Level of Management Commitment to Strategic Alliances

Level of Commitment	Frequency	Percent
To a moderate Extent	14	16
To a large Extent	57	66
To a very large Extent	15	18
Total	86	100.0

Source: Primary Data

The results in Table 4.5 show that 66% of the respondents said they were committed to a large extent .Another 18% mentioned to a very great extent. The results imply that top management commitment influence success of strategic alliances between mobile service providers and commercial banks in the money transfer services in Kenya. The respondents explained that top management commitment promotes high level of trust which creates a conducive environment for executing strategic alliances between parties.

4.4.2 Top Management Commitment and Success of strategic alliances

The study had sought to establish the extent to which top management commitment influence success of alliances. The pertinent results are presented in Table 4.6.

Table 4. 6: Top management commitment and success of strategic alliances

Statement on management committed toward success strategic alliance	N	Mean	Std Dev	CV(%)
Top management commitment in implementation of strategic alliances	86	4.2070	0.87619	20.8
Adequate allocating resource for strategic alliances	86	4.2791	.75772	17.7
Enhance effective communication	86	3.8605	.78460	20.3
Support employees and reducing employee resistance in management of strategic alliance	86	4.0000	.84017	21.0
Top management promoting good relationship between partners	86	4.3023	.53291	12.4
Support employees training and rewards	86	4.1860	.74378	17.8
Overall Mean Score		4.1390	.75590	

Source: Primary Data

As per the results portrayed in Table 4.6, the respondents indicated that top management promoting good relationship between partners, adequate allocation of resource for strategic alliances, top management commitment in implementation of strategic alliances, and supporting employees through training and rewards influence success of the strategic alliance. The overall implication is that top management commitment toward success strategic alliance has significant influence on success strategic between Money Transfer Service providers and Commercial banks.

4.5 Factors that Influence Success of Strategic Alliances in Organization

The study had also sought to determine the extent to which identified factors had influenced strategic alliances. The relevant responses are summarized in Table 4.7

Table 4. 7: Factors Which Influence Success of Strategic Alliances in Organizations

Statement on factors and strategic alliance	N	Mean	Std Dev	CV (%)
Clear and common vision	86	4.2442	.5517	13.0
Shared objective between partners	86	4.1279	.9177	22.2
Mutual needs for the companies	86	4.0000	.6507	16.2
Complementary strength of the companies	86	4.2791	.5259	12.3
Senior management champion and involvement in partnership operations	86	4.2558	.7225	16.9
The existence of shared risks	86	4.0300	.7194	17.8
The management of partners firms have share control of alliance operations	86	3.8605	.7485	19.3
Existence of mutual trust	86	4.1628	.5282	12.7
Practice transparency and accountability among partners	86	4.2209	.5821	13.8
Cultural compatibility to eliminate cultural barriers	86	3.8488	.6948	18.1
The partner companies has a common reward to share	86	3.8837	.4707	12.1
Measurable set goals for the partner organizations	86	4.1744	.5978	14.3
		4.0907	0.6175	

Source: Primary Data

The results depicted in Table 4.7 indicated that complementary strength of the companies, clear and common vision and senior management champion and involvement in partnership operations influence success of strategic alliances to a large extent

On other factors influencing success of strategic alliances indicated that practicing transparency and accountability among partners was also a major factor.

4.6 Shared Goals and Objective and Success of Strategic Alliances

The study sought to determine the extent to which shared goals and objectives influence success of strategic alliances .The respondents' response are summarized in Table 4.8.

Table 4. 8: Shared Goals and Objective Influence on Success of Strategic Alliances

Statement on extent to which shared goals and objective influence success of strategic alliance	N	Mean	Std Dev	CV(%)
Competing priorities are settled effectively	86	4.2721	.56976	13.3
Solving of conflicts that may hinder strategic alliance	86	3.7442	.72251	19.3
Differences in goals are resolved with openess	86	4.1721	.71614	17.2
Increase consistencies in executing responsiblities	86	3.8256	.57786	15.1
Trustworthiness among partners	86	4.3209	.92281	21.3
Enhance understanding among partners	86	4.0349	.72676	18.0
Overall		4.0616	0.7060	

Source: Primary Data

As shown in Table 4.8, trustworthiness among partner's, effective management of competing priorities among partners being effectively settled, resolution on the differences in goals and effective communication influence success of strategic alliances. The overall implication is that share goals and objectives contribute to success in strategic alliance.

4.7 Organizational Culture and success of Strategic Alliances

The respondents were requested to indicate the extent to which culture was influencing success of strategic alliances in their organizations. They provided responses presented in Table 4.9.

Table 4. 9: Organizational Culture and Success of strategic Alliances

Statement on culture influencing success of strategic alliance in the organization	N	Mean	Std Dev	CV (%)
Organization core values influence success and the growth of strategic alliances	86	4.0698	.76375	18.8
High level of knowledge sharing of employees	86	4.0349	.49581	12.3
Promotion of integrity	86	3.7791	.87314	23.1
Trust among partners	86	3.9070	.74562	19.1
Overall total		3.9477	0.7195	

Source: Primary Data

The responses in Table 4.9 shows that organizations core values and high level of knowledge sharing are factor that influence success. Also trust among partners and ensuring integrity in operations influence success strategic alliances. Overall, organizational culture contributes to success of strategic alliance in the organizations to a larger extent.

The respondent further mentioned orientation of employees involving all the stakeholders and promotion of team work influence success of alliance. The results also indicated that compacting risks facing the strategic alliance, promotion of discipline among employees foster success of strategic alliance.

4.8 Level of Success of Strategic Alliance

The study further sought to establish the extent to which different performance indicators were achieved due to implementation of Strategic Alliances. Table 4.10 contains the relevant information.

Table 4. 10: Performance indicators Achieved Due to Implementation of Strategic Alliances

Strategic alliance Performance indicators	N	Mean	Std Dev	CV (%)
The organization increase profitability level	86	3.9186	.88404	22.6
There is increase in number of customers	86	4.2119	.72676	17.3
The organization increase its market share	86	4.1860	.65998	15.7
The organization improve stakeholder satisfaction	86	4.3837	.61680	14.1
Led to reduction in cost of operations	86	4.1395	.65373	15.8
Improve quality of services to customers	86	3.7326	.71000	19.0
The organization enhance its competitiveness position in the market	86	4.0395	.81404	20.2
Overall	86	4.0874	0.7236	16.358

Source: Primary Data

The results in table 4.10 indicate that implementation of strategic alliance led to improvement in stakeholder satisfaction and the organization experienced increases in number of customers to a very large extent. The results revealed that implementation of strategic alliances between mobile service providers and commercial banks led to the organizational increase in market share and reduction in cost of operations.

Respondents were requested to state other factors that hinder achievement of success in strategic alliance between mobile service providers and commercial banks in money transfer services. The respondents mention that unhealthy competition between partners, sabotage of strategic alliance procedures by either party, failure to share loss, unequal sharing of profits and lack of commitment hinder success of strategic alliance between the organizations.

4.9 Discussion of the Study

The findings depicted that improvement in innovativeness, achieving competitive advantage, increased efficiencies and improvement in capability to enter markets are factors that motivate organization to adopt strategic alliance. Other factors such as competitive position and earning of high profit as well acquisition of other capabilities influence organization to adopt strategic alliances. The findings were supported by Porter, (2005) who demonstrated that achieving competitive resources and a competitive advantage foster formation of strategic alliances between organizations.

The results established top management commitment in implementation of strategic alliances and supporting employees through training and rewards influence success of the strategic alliance between money transfer service providers and commercial banks to a large extent. Top management commitment through supporting employees and reducing employee resistance in management of strategic alliance, enhancing effective communication, honoring cooperation agreement, fostering common strategic goals, fostering strategic fits and management of competition among partners, effective planning of the alliance and effective management of employees resistance to alliance would contribute to success of strategic alliance between money transfer service providers and commercial banks. The finding concurred with (Uddin & Akhter, (2011) who found that cooperation agreements which results from alliance between organizations structured to promote competitive firm and cooperative associations allow partners to focus on best achievable tasks in order to achieve design vision and provide value to stakeholders.

The results also show that share control of alliance operations, cultural compatibility to eliminate cultural barriers and practising of ethics, promoting integrity among partners are factor that determine success in strategic alliances . The results further indicated that shared goals and objective, trust among strategic partners, resolving differences in goals through openness among the partners and enhancing understanding among partners influence success of strategic alliances. The results were similar to Zollo, Reuer, & Singh, (2002) who revealed that existence of clearly defined, shared goals and objectives influence success of strategic alliances in focus. The findings also agreed with Harrigan (1988) who observed that for a strategic alliance to succeed, at least a medium strategic significance should exist between the respective strategic partners.

Organization culture was also found to contribute to success of strategic alliance .The study revealed that adhering to organization core values, high level of knowledge sharing among employees influence success and the growth of strategic alliances to a large extent. Promotion of trust among partners and promotion of integrity in executing strategic alliance responsibilities influence success and the growth of strategic alliances to a large extent. The findings agreed with Lewis (1992) who observed that successful building of trust among the partner organization was critical factors of a successful alliance. Other factors such as orientation of employee to the strategic alliance process, stakeholders' involvement, team work and sharing of ideas and promotion of discipline among members of staff contribute to success of strategic alliance. The finding agreed with Rambo (2012) who revealed that employees discipline focus, result oriented employees, professional focus of interest, job course and employee focus and management commitment would significantly develop best corporate culture and values that would influence success of strategic alliances between companies. The results show that through alliance organization improve customer satisfaction, increase in customer base, increase market share, reduce cost of operations and improve competitiveness positions and improve performance to a large extent.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the study findings, conclusion and recommendation based on objective. The objective of the study was to establishing factors that influence success of strategic alliances between telecommunication companies and commercial banks in Kenya.

5.2 Summary

The study results revealed that the need to improve organization innovativeness, achieve competitive advantage, increase efficiencies and entry into new markets influence adoption of strategic alliance to a large extent. In addition, most organizations are motivated by increased market share and customer base as well as quick access to new and more innovative products. Strategic alliances also improve risk management thereby enhancing profitability margin of the organization.

The study also established that top management commitment is a success factor in strategic alliance. This involves promotion of good relationship between partners, adequate allocation of resources and supporting employees through training and rewards. Moreover, they need to ensure that employees accept change rather than display resistance in the resultant alliance. This is done by enhancing effective communication, honoring alliance agreement, fostering common strategic goals and effective management of competition among partners.

It was also indicated that organizations achieve success in strategic alliances due to complementary strength of the companies and having clear and common vision. Transparency and accountability among partners also plays a great role since this enhances trust. Organizations therefore need to practice ethics, integrity and adherence of rules and regulations which govern strategic alliances. Organizations further need to adopt effective conflict resolution strategies. This increases accountability of the partners while strengthening their relationship.

From the research study, organization culture ensures success in relation to core values and high level of knowledge sharing among employees. Not only should employees be well oriented with strategic alliance process, but there should also be involvement with all the stakeholders so that they can be conversant with the organizational changes taking place. This results to higher satisfaction levels of stakeholders, increased number of customers, increased market share, reduced operation costs and high competitiveness.

5.3 Conclusions

In conclusion, strategic alliances entail more than just achieving collective goals and directly benefitting partners. Rather, it further adds value to the corporate social capital of each firm by provision of access to a wide range of assets and resources which are controlled by network members in the strategic alliance. They are an opportunity for firms to tap into knowledge, resources and skills of organizations which they are in partnership with through inter-firm agreement. Theoretical assumptions as well as research findings indicate a high rate of inter-organizational phenomenon in the business environment. This has been triggered by increased globalizations and the need to ensure high competitive advantage in the market. Moreover, strategic alliances ensure ease of market entry since it is more difficult for a new or small organization to be well recognized as compared to an old and well-known organization. Firms are also attracted to the possibilities of sharing new technology and enhanced product development or innovativeness.

5.4 Limitations of the study

The study focused on telecommunication and commercial banks. The finding of this study could therefore not be generalized to other firms in a different sector. In addition, some respondents were not cooperative as they viewed information sought by the study as sensitive. The researcher explained to the respondents that the information they provided was to be held confidential and was for academic purpose only. Despite this, sufficient data for the study was obtained in order to do a comprehensive analysis of factors which influence success of strategic alliance between mobile service providers and commercial banks.

5.5 Policy Recommendations

The study recommends that strategic alliance companies should foster top management commitment in order to achieve success. Through top management commitment, there will be strengthened relationship between partners, adequate allocation of financial and human resources and increased support by employees. This will also reduce employees' resistance to strategic alliance and ensure effective communication.

From the results and conclusion, the study recommends that there should be complementary strength of partner companies. Senior management should be involved in strategic operations while ensuring clear and common vision to avoid conflict. There should also be clear guidelines which govern the alliance in order to ensure transparency while promoting mutual trust. Strategic alliance outcomes should be measured against the set objectives. This will provide a clear view on what has been achieved so far and what needs to be done. The partners also need to come up with a clearly defined method of sharing the outcomes, controlling operations and ensuring compatibility of cultural values.

Another policy recommendation is that companies should promote good organizational culture clearly anchored in the organization core values. All stakeholders must be involved in the major decision making processes so that they can feel that they are part of the organization. This will enhance loyalty. Some of the things that should be encouraged include teamwork, sharing of ideas on challenges facing the strategic alliance, promotion of discipline among members of staff as well as developing professional focus interest in the organization. Successful strategic alliance between mobile service providers and commercial banks contribute to increased profitability level of the organization while improving quality delivery of services.

5.6 Suggestions for Further Research

This study focus on establishing factors that influence success of strategic alliances between Mobile Service Providers and commercial banks in money transfer service in Kenya. A further study should be carried to determine influence of organizational culture on performance of strategic alliances in other financial institutions such as Microfinance and Saving Credit Cooperative Societies and telecommunication companies. A study should also be carried to determine factors influence achieving of success of strategic alliances between telecommunication companies and other organization in different sectors such as service industry to provide broad analysis on success of strategic alliances.

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APPENDICES

Appendix 1: Questionnaire

SECTION A: GENERAL INFORMATION

1. What is your position in this organization? ……………………………………………

2. Indicate your level of academic qualification

Degree ( )

Master ( )

Postgraduate ( )

Any other, kindly indicate……………………………………………..

3. How long have you worked in the company?

Less than 2 years ( )

2-5 years ( )

6-8 years ( )

Over 8 years ( )

4. Using a scale of 1-5 indicate the extent to which the following factors influence adoption of strategic alliance in your organization? (1-No at all,2-to small extent, 3-to a moderate Extent,4- to a large Extent and 5- to a very large Extent)

Statement	1	2	3	4	5
Increase the speed with which the organization can access the new combinations of knowledge needed to bring new products to market					
Improve risk management					
Increase customer base for the organization					
Influence organization achieving competitive advantage over rivals in the market					
Strengthen organization competitive position by enhancing market power through the resultant synergy					
Increase organization profitability level					
Increasing efficiencies in the organization					
Accessing of new or critical resources or capabilities					

Effective coordination among strategic partners					
Increases organization level of entering new markets.					
Improve adoption of new technological advancement					
Improve organization innovativeness					

5. Explain how your organization management is committed toward strategic alliance?

Not at all [ ]

To small extent [ ]

To a moderate Extent [ ]

To a large Extent [ ]

To a very large Extent [ ]

Give reason for your answer……………………………………………………………

6 . Using a scale of 1-5, indicate the extent to which with the following statement concerning influence of top management committed toward success strategic alliance? (1-No at all,2-to small extent, 3-to a moderate Extent,4- to a large Extent and 5- to a very large Extent)

Statement	1	2	3	4	5
Top management commitment in implementation of strategic alliances					
Adequate allocating resource for strategic alliances					
Enhance effective communication					
Support employees and reducing employee resistance in management of strategic alliance					
Top management promoting good relationship between partners					
Support employees training and rewards					

7. In your own opinion, indicate other ways that top management influence success of strategic alliance in your organizations ....

………………………………………………………………………………………..

…………………………………………………………………………………………..

8.Using a scale of 1-5, indicate the extent to which the following Factors influence success of strategic alliances in your organization (1-No at all,2-to small extent, 3-to a moderate Extent,4- to a large Extent and 5- to a very large Extent)

Statement on factors and strategic alliance	No Extent	Less Extent	Moderately	Great Extent	Very Great Extent
Clear and common vision					
Shared objective between partners					
Mutual needs for the companies					
Complementary strength of the companies					
Senior management champion and involvement in partnership operations					
The existence of shared risks					
The management of partners firms have share control of alliance operations					
Existence of mutual trust					
Practice transparency and accountability among partners					
Cultural compatibility to eliminate cultural barriers					
The partner companies has a common reward to share					
Measurable set goals for the partner organizations					

9. Discuss other factors influencing success of strategic alliances between mobile service providers and commercial banks in money transfer service in Kenya..

....

....

10. Indicate the extent to which shared goals and objective influence success of your strategic alliance? (1-No at all,2-to small extent, 3-to a moderate Extent,4- to a large Extent and 5- to a very large Extent)

Statement	1	2	3	4	5
Arises competing priorities in strategic partners are effectively settled					
Solving of conflicts that may hinder strategic alliance					
Differences in goals are resolved through openness among the partners					
Increase consistencies in executing responsibilities					
Trustworthiness among partners					
Enhance understanding among partners					

11. To what extent do you agree with the following statement concerning culture influencing success of strategic alliance in your organization? (1-No at all,2-to small extent, 3-to a moderate Extent,4- to a large Extent and 5- to a very large Extent)

Statement	1	2	3	4	5
Organization core values influence success and the growth of strategic alliances					
High level of knowledge sharing of employees					
Promotion of integrity					
Trust among partners					

12 In your own opinion, indicate how culture influence success of strategic alliance in your organizations ……………………………………………………………………

…………………………………………………………………………………………..

13. Indicate the extent to which performance indicators has been achieve due to implementation of strategic alliance in your organization? (1-No at all,2-to small extent, 3-to a moderate Extent,4- to a large Extent and 5- to a very large Extent)

Statement	1	2	3	4	5
The organization increase profitability level					
There is increase in number of customers					
The organization increase its market share					
The organization improve stakeholder satisfaction					
Led to reduction in cost of operations					
Improve quality of services to customers					
The organization enhance its competitiveness position in the market					

14. In your own opinion, indicate other factors that hinder achievement of success in strategic alliance between mobile service providers and commercial banks in money transfer services……………………………………………………………………………

Appendix II: List of Telecommunication Companies and Commercial Banks

1. Airtel Mobile Company
2. Orange Mobile
3. Safaricom Limited
4. Barclays Bank
5. Co-operative Bank
6. Equity Bank
7. Family Bank
8. I & M Bank Limited
9. K-Rep Bank Limited
10. KCB Bank
11. NBK Bank
12. NIC Bank
13. Standard Chartered Bank
14. CFC Stanbic Bank
15. CBA